

**REGULAR STATE BANKING BOARD MEETING
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

September 12, 2013

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:00 a.m., Thursday, September 12, 2013, by conference call.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Kentucky*)
Nancy Baerwald, Member (*Cando*)
Linda Beall, Member (*Velva*)
Bill Daniel, Member (*Bismarck*)
Kim Larson, Member (*Casselton*)
Anita Quale, Member (*Watford City*)
Tom Stennes, Member (*Harwood*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron K. Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Jan Murtha, Assistant Attorney General (*Office*)
Lise Kruse, Chief Examiner – Banks (*Fargo*)
Stan Koppinger (*Dickinson*)
Scott Bullinger (*Dickinson*)
Toby Kommer (*Fargo*)

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on July 11, 2013, and special meetings held July 17, 2013, and August 20, 2013.

It was moved by Member Baerwald, seconded by Member Beall, and unanimously carried to approve the minutes of the regular meeting held July 11, 2013, and the minutes of the special meetings held July 17, 2013, and August 20, 2013, as presented.

BANK FORWARD, HANNAFORD – ADDITIONAL INVESTMENT IN SUBSIDIARY

Chairman Entringer indicated the Department received a request for an equity injection from Bank Forward to its wholly owned subsidiary, Invest Forward, in the amount of \$1,800,000.

Toby Kommer, CFO, explained Bank Forward will be injecting \$1,800,000 into Invest Forward to facilitate the acquisition of a retail brokerage firm in Bagley, Minnesota. CFO Kommer continued that \$1.35 million is to purchase the book of business and \$450,000 to acquire the building currently owned and occupied by the brokerage firm.

CFO Kommer indicated the acquisition will result in approximately \$1 million of additional brokerage income for the company and \$280,000 of additional net income. CFO Kommer indicated the addition of the goodwill will cause a 20 basis point effect on the Tier 1 Leverage ratio, which will be offset by earnings during the next four years.

In answer to Chairman Entringer's question on whether Invest Forward will own the building, CFO Kommer indicated that is correct.

It was moved by Member Larson, seconded by Member Quale, and unanimously carried to approve the request for an equity injection by Bank Forward, Hannaford, into its wholly owned subsidiary, Invest Forward, in the amount of \$1,800,000.

CFO Kommer left the conference call at 9:09 a.m.

MERGER APPLICATION – AMERICAN BANK CENTER, DICKINSON

Member Baerwald declared a conflict of interest on the application of American Bank Center, Dickinson (American), to merge Community First Bank of Glendive, Glendive, Montana (Community), into American, and therefore chooses to abstain from the vote.

Assistant Attorney General Murtha asked Member Baerwald to state for the record her basis for conflict, and Member Baerwald responded that she is an employee of American Bank Center.

Assistant Attorney General Murtha explained the type of vote for this application is not considered a per se conflict; however, Board members can choose to abstain if they feel they have a conflict. Assistant Attorney General Murtha continued under North Dakota law an abstention vote will be cast with the majority.

Assistant Commissioner Webb reviewed his Memorandum dated September 4, 2013, indicating the Department received the Interagency Bank Merger Act Application on June 13, 2013.

Assistant Commissioner Webb indicated notice of the application was published pursuant to the joint state and federal requirements in the *Dickinson Press*, Dickinson, ND, and the *Glendive Ranger-Review*, Glendive, MT, on June 13, June 27, and July 11, 2013. Assistant Commissioner Webb indicated the comment period ended July 15, 2013, and no comments were received nor were there any requests for copies of the application.

Assistant Commissioner Webb reviewed Section 6-03-11 of the North Dakota Century Code, and Chapter 13-02-13 of the North Dakota Administrative Code.

Assistant Commissioner Webb indicated the Plan of Reorganization and Merger Agreement, Resolutions by the Board of Directors of both American Bancor, Ltd, and Community First Bancorp, as sole shareholders of the applicants are included in the application.

Assistant Commissioner Webb indicated the required pro forma balance sheet and income statement projections, as well as the list of directors and senior executive officers of the resultant institution are included in the application.

Assistant Commissioner Webb indicated additional services will be available as a result of the merger, which include insurance and trust services; enhanced electronic banking services, merchant capture; expanded deposit and loan products; and increased credit opportunities.

Assistant Commissioner Webb indicated the Department conducted a visitation of Community on August 13, 2013, and the results are included with the Board agenda.

Assistant Commissioner Webb indicated projected capital of the resultant bank as of December 31, 2013, is 8.73% Tier 1 Leverage, 14.46% Tier 1 Risk-based, and 15.57% Total Risk-based; and the same ratios projected for December 31, 2013, are 9.67%, 15.52%, and 16.64%. Assistant Commissioner Webb indicated the resultant bank is projecting to remain in the “Well Capitalized” capital category.

Assistant Commissioner Webb indicated the resultant bank intends to continue operations at the former main office of Community located at 319 N. Merrill Avenue, Glendive, MT.

Stan Koppinger, President of American, indicated this will be the bank’s first move into another state, and fits into the bank’s strategic plan. President Koppinger indicated if the application is approved, the Glendive interstate branch will be part of the western region of American; adding the proposed merger date is October 4, 2013.

President Koppinger indicated the senior management team will not change, adding that the current President/CEO of Community, Terry Lobdell, will serve as the Market President of the resultant interstate branch.

Scott Bullinger, CFO of American Bancor, Ltd, indicated American buffered its capital in advance of the acquisition so the resulting intangible will not impact the capital ratios. CFO Bullinger indicated this is a relatively small purchase in relation to American’s overall size of approximately \$1 billion in total assets. CFO Bullinger indicated Community’s total assets are \$50 million, which will add 4 to 5 percent to American’s total footings.

CFO Bullinger indicated it should be a seamless transition to bring Community financially into American, with there being no borrowings associated with the acquisition, and no change of ownership at either American or American Bancor, Ltd.

Chairman Entringer indicated this application is unique as a law was passed during Montana's most recent legislative session that requires the Montana Division of Banking and Financial Institutions to act on this application as well. Chairman Entringer indicated he therefore contacted the applicant to instruct them to send a letter requesting approval from the Montana Division of Banking and Financial Institutions. Chairman Entringer continued that Montana's law goes into effect October 1, 2013.

President Koppinger indicated a letter requesting approval of the acquisition was sent to the Montana Division of Banking and Financial Institutions on August 22, 2013.

Chairman Entringer added that the Federal Deposit Insurance Corporation approved the merger application in July 2013.

Chairman Entringer reviewed the conditions contained in the proposed Order with President Koppinger.

Assistant Commissioner Webb indicated the Department believes the criterion have been addressed by the applicant, the assumptions used in the projections provided as accurate, and recommends the merger application be approved. Assistant Commissioner Webb added that if a motion for approval is made, it should include that Chairman Entringer be authorized to sign the proposed Order on behalf of the Board.

It was moved by Member Beall and seconded by Member Stennes to approve the application of American Bank Center, Dickinson, to merge Community First Bank of Glendive, Glendive, Montana, into American Bank Center, Dickinson, North Dakota, and that Chairman Entringer be authorized to sign the Order on behalf of the Board. The motion carried by a vote of 7 to 0, with Member Baerwald abstaining; however, her vote was cast with the majority.

President Koppinger and CFO Bullinger left the conference call at 9:27 a.m.

NAME CHANGE – THE FIRST STATE BANK OF MUNICH

Chairman Entringer indicated the Department received Articles of Incorporation from The First State Bank of Munich to change its name to Horizon Financial Bank.

Chairman Entringer indicated the bank received one comment regarding the name change from a banker that had reserved the name Horizon Bank; however, that name reservation had expired with the Secretary of State's Office.

It was moved by Member Quale, seconded by Member Daniel, and unanimously carried to approve the Articles of Incorporation from The First State Bank of Munich, Munich, to change its name to Horizon Financial Bank, Munich.

ITEM TO BE NOTED

Chairman Entringer indicated that on September 3, 2013, he approved, as Commissioner, an application by Heartland State Bank, Edgeley, to close its facility at 107 Main Street, Fredonia.

BANK BUDGET UPDATE

The July 31, 2013, Organizational Status Report by Summary Account for the bank division was included with the agenda for the Board's review.

CONFIDENTIALITY AGREEMENT

Chairman Entringer explained during the reaccreditation review by the Conference of State Bank Supervisors (CSBS) it was suggested the Board members sign a Confidentiality Agreement because they have access to reports of

examination. Chairman Entringer indicated this Confidentiality Agreement will become part of the new Board member packet.

Assistant Attorney General Murtha indicated she reviewed the Confidentiality Agreement and that it is consistent with open records law.

NOVEMBER MEETING

Chairman Entringer indicated he would like to discuss possible legislation for 2015 with the Board during the November 14, 2013, meeting.

The Board went into closed session at 9:35 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1.

Robert J. Entringer, Chairman

Aaron K. Webb, Secretary